

RESPONSE TO COMMISSION STAFF'S FIRST INFORMATION REQUEST

CASE NO. 2008-00510

Should additional information be required of Western Lewis-Rectorville Water District, staff assistance is requested. The District has only one employee that can assist in responding to requests for information.

Item 1. The Commissioners have not recently had an increase in compensation. Ordinance and resolutions cannot be found.

Item 2. There are no workpapers. All information used was taken from the annual report.

Item 3. Western Lewis does not have any other business activities. The utility provides water service.

Item 4. The District states that there was no construction work was done in 2007.

Item 5. Two general ledgers are included as part of this application. Due to the size of the document, one copy has been filed in the main case file and it has been requested that the other copy be sent to the Financial Analysis Division of the Commission.

Item 6. A detailed cash account is included in this response.

Item 7. Response to this item is included as part of this filing.

Item 8 The journal is included.

RECEIVED

APR 14 2009

PUBLIC SERVICE
COMMISSION



Item 9. See enclosed CD

ITEM 9 (e) (f) Included in this filing. Employee pays 5% annually.

Item 10. See CD

Item 11. See CD for insurance information.

Item 12 (a) (b) Invoice Included. No additional charges will be made.

Item 13. Included as part of this filing.

Item 14 (a). See CD.

Item 14(b) Test year operating revenue has been normalized to reflect the new customers.

Item 15 (a) (b) (c) Included in this filing.

Item 16 CD enclosed

Item 17. The cost of service study has been revised to include the customers that were added as a result of the .023 project.

VERIFICATION

Robert Harmon Jr, being first duly sworn according to law, state that I am Chairman of the Board of Commissioners of the Western Lewis-Rectorville Water District; that I have read the foregoing Petition and Application; and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 9th day of April, 2009.

Sharon Dennison
Signature

STATE OF KENTUCKY

CITY OF MAYSVILLE

SUBSCRIBED AND SWORN TO before this 9th day of April, 2009, by John H. Thomas Jr in his capacity as Chairman of the Board of Commissioners of the WESTERN LEWIS-RECTORVILLE WATER DISTRICT.

Sharon Dennison
NOTARY PUBLIC, State at Large

My Commission Expires: Sept 2010

9:00 AM

03/28/09

Cash Basis

Western Lewis Rectorville Water and Gas District Transaction Detail by Account January through December 2007

Type	Date	Num	Name	Memo	Paid Amount
Revenue Account					
Check	1/3/2007	5682	Maysville Ford Lincoln Mercury	truck maint.	-171.22
Check	1/4/2007	5685	Lewis County Clerk	Fees for recording easements	-85.00
Check	1/5/2007	5688	Maysville Post Office	postage	-85.14
Check	1/8/2007	5689	Gait House East	confirmation #29336465 3-25-07 thur 3-29-07	-460.32
Check	1/8/2007	5690	KWVOA	David Hampton and Rusty Jolly's registration fees	-220.00
Check	1/8/2007	5692	Pauline K. Bickley	mileage	-102.60
Check	1/12/2007	5725	Sharon R. Dennison	mileage	-72.72
Check	1/12/2007	5727	Wal-Mart	supplies	-131.47
Check	1/16/2007	5732	US Postmaster	deliq. statements	-87.87
Check	1/19/2007	5736	Melissa L. Dixon	mileage133 & reimburs. for cable	-61.14
Check	1/23/2007	5739	Lewis County Clerk	Fees for recording easements	-122.00
Check	1/25/2007	5741	Wal-Mart	supplies	-107.06
Check	1/25/2007			Service Charge	-50.00
Check	1/26/2007	5742	WLR Escrow Account	re-connected & paid bill, put deposit back	-55.07
Check	1/29/2007	5751	Cargill	reimbursement, this was paid twice	-2,203.19
Check	1/31/2007	5753	US Postmaster	billing statements, stamps	-497.23
Check	2/1/2007	5754	Pauline K. Bickley	mileage	-118.80
Check	2/1/2007	5755	Eric D. Smith	ref of YTD budget and credit from dep	-401.17
Check	2/5/2007	5781	Julia G. Taft	remainder of dep # 0978a-003	-68.37
Check	2/5/2007	5782	Cheryl A. Naegele	reminder of dep credit # 0536-002	-11.55
Check	2/5/2007	5783	Jason B. Coffey	remainder of dep #1618-002	-24.81
Check	2/5/2007	5784	Amy S. Wilson	remainder of dep # 0716	-23.14
Check	2/5/2007	5785	Gary R. Darlington	remainder of dep # 0437B-002	-19.43
Check	2/5/2007	5786	Bruce Robinson	reminder of dep # 0288E-002	-37.04
Check	2/9/2007	5790	Michael W. Barbour	continued ed	-75.00
Check	2/12/2007	5792	Melissa L. Dixon	continued ed	-50.00
Check	2/12/2007	5791	University Plaza Hotel	continued ed	-182.70
Check	2/14/2007	5809	David Shoemaker	reimburs. for shelves	-20.00
Check	2/14/2007	5810	Rusty H Jolly	reimburs. for supplies	-2.00
Check	2/14/2007	5811	Buffalo Trace Area Development Dist.	on promissory note	-1,800.00
Check	2/16/2007	5814	Melissa L. Dixon	mileage	-225.72
Check	2/16/2007	5816	US Postmaster	deliq. statements	-85.41
Check	2/16/2007	5815	Wal-Mart	supplies	-41.55
Check	2/23/2007	5821	Sharon R. Dennison	mileage	-74.16
Check	2/25/2007			Service Charge	-50.00
Check	2/26/2007	5822	Wal-Mart	supplies	-47.12
Check	2/26/2007	5828	State Electric Supply Co.	electric winch	-442.46
Check	2/27/2007	5829	Pauline K. Bickley	mileage	-97.20
Check	3/1/2007	5831	US Postmaster	bilng. statements & certified mail	-475.17
Check	3/1/2007	5834	Maysville Post Office	postage	-5.29
Check	3/2/2007	5835	Mason Co. Clerk	recording easements	-34.00
Check	3/8/2007	5844	Mason Co. Clerk	recording easements	-17.00
Check	3/13/2007	5871	Buffalo Trace Area Development Dist.	on promissory note	-1,100.00
Check	3/16/2007	5874	Lewis County Clerk	Fees for recording easements	-119.00
Check	3/16/2007	5875	Wal-Mart	supplies	-54.68
Check	3/16/2007	5876	Lowe's Home Centers, Inc.	materials	-258.00
Check	3/16/2007	5877	US Postmaster	deliq. statements	-84.52
Check	3/23/2007	5892	Melissa L. Dixon	mileage, postage,	-97.18
Check	3/23/2007	5893	Rusty H Jolly	continued ed	-100.00
Check	3/23/2007	5894	David L. Hampton	continued ed	-100.00
Check	3/23/2007	5895	Ricky D. Hillerbrandt	materials and supplies	-14.43
Check	3/25/2007			Service Charge	-50.00
Check	3/28/2007	5907	Sears	wet nozzle	-27.98
Check	3/28/2007	5908	Wal-Mart	supplies	-77.57
Check	3/29/2007	5896	Gait House East	3-25-07 thur 3-29-07 Parking fee	-39.21
Check	3/30/2007	5910	Pauline K. Bickley	mileage-300 miles- March	-108.00
Check	3/30/2007	5912	US Postmaster	billing. statements & stamps	-474.94
Check	4/9/2007	5937	Ellington Farm Equip.	weed eater	-521.63
Check	4/11/2007	5943	Wal-Mart	supplies	-44.60
Check	4/17/2007	5960	US Postmaster	deliq. statements	-87.60
Check	4/20/2007	5967	Buffalo Trace Area Development Dist.	on promissory note	-1,200.00
Check	4/24/2007	5971	Office Max	supplies	-147.00
Check	4/24/2007	5970	Office Depot	file cabinets	-604.19
Check	4/25/2007	5972	Wal-Mart	supplies	-224.11
Check	4/25/2007			Service Charge	-50.00
Check	4/26/2007	5974	Maysville Post Office	postage	-14.40
Check	4/27/2007	5979	Sharon R. Dennison	mileage	-72.72
Check	4/30/2007	5982	US Postmaster	Billing. statements	-433.10
Check	5/4/2007	6003	Melissa L. Dixon	mileage, postage, cable	-86.33
Check	5/4/2007	6006	Pauline K. Bickley	mileage-285 miles-April	-102.60
Check	5/8/2007	6008	Wal-Mart	supplies	-81.22
Check	5/16/2007	6017	US Postmaster	deliq. statements & stamps	-136.32
Check	5/22/2007	6044	Wal-Mart	supplies	-78.62
Check	5/25/2007	6045	Buffalo Trace Area Development Dist.	on promissory note	-1,800.00
Check	5/31/2007	6053	US Postmaster	billing. statements & stamps	-473.71
Check	5/31/2007			Service Charge	-50.00
Check	6/1/2007	6054	Pauline K. Bickley	mileage-255 miles-May	-91.80

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03/28/09

Cash Basis

Western Lewis Rectorville Water and Gas District
Transaction Detail by Account
January through December 2007

Type	Date	Num	Name	Memo	Paid Amount
Check	6/1/2007	6055	Melissa L. Dixon	mileage,postage,cable	-82.01
Check	6/5/2007	6059	Maysville Post Office	postage	-45.40
Check	6/8/2007	6065	Wal-Mart	supplies	-121.46
Check	6/15/2007	6085	Sharon R. Dennison	mileage	-72.36
Check	6/18/2007	6086	US Postmaster	deliq. statements & stamps	-122.22
Check	6/20/2007	6091	Buffalo Trace Area Development Dist.	on promissory note	-1,500.00
Check	6/20/2007	6090	Wal-Mart	supplies	-67.05
Check	6/25/2007	6098	Maysville Post Office	postage	-4.54
Check	6/27/2007	6107	Pauline K. Bickley	mileage-270 miles-June	-97.20
Check	6/28/2007	6108	Lightner's Auto Garage	install spark plugs	-35.00
Check	6/29/2007	6114	Melissa L. Dixon	mileage,cable	-80.58
Check	6/29/2007	6115	US Postmaster	billing statements & Certified Retirement Service Charge	-479.34
Check	6/30/2007				-50.00
Check	7/9/2007	6116	Lowe's Home Centers, Inc.	materials	-388.22
Check	7/10/2007	6135	Wal-Mart	supplies	-79.99
Check	7/17/2007	6149	US Postmaster	deliq statements & stamps	-128.49
Check	7/24/2007	6174	Galt House East	8-26-07 thur 8-29-07	-414.36
Check	7/24/2007	6175	Buffalo Trace Area Development Dist.	on promissory note	-3,700.00
Check	7/27/2007	6177	Pauline K. Bickley	mileage-225 miles-July	-81.00
Check	7/27/2007	6178	Sharon S. Polley	mileage (202 miles)	-72.72
Check	7/27/2007	6179	Kentucky Infrastructure Authority	WX21161001 Phase IV- Ridge Project	-500.00
Check	7/30/2007	6180	Bluegrass Cross Connect. Prevent. Assoc.	BGCCPA Conference for Mike Barbour	-110.00
Check	7/30/2007	6182	Michelle McDowell Medley	gas budget ref	-174.67
Check	7/31/2007	6190	Kathryn White	gas budget ref	-323.55
Check	7/31/2007	6183	Wal-Mart	supplies	-28.71
Check	7/31/2007	6191	US Postmaster	billing statements	-469.95
Check	7/31/2007			Service Charge	-50.00
Check	8/2/2007	6194	Sharon R. Dennison	mileage	-71.64
Check	8/3/2007	6195	Melissa L. Dixon	mileage,cable, postage	-114.10
Check	8/16/2007	6224	US Postmaster	deliq statements	-136.34
Check	8/21/2007	6235	Buffalo Trace Area Development Dist.	on promissory note	-4,650.00
Check	8/23/2007	6237	Wal-Mart	supplies	-28.14
Check	8/24/2007	6238	Ricky D. Hilterbrandt	continued ed	-75.00
Check	8/31/2007	6252	Melissa L. Dixon	mileage,cable,	-141.06
Check	8/31/2007	6253	Rusty H Jolly	re-imburement	-3.79
Check	8/31/2007	6255	Pauline K. Bickley	mileage302 miles-Aug	-108.72
Check	8/31/2007	6257	US Postmaster	billing statements	-480.30
Check	8/31/2007			Service Charge	-50.00
Check	9/7/2007	6270	Carol Hines	credit ref # 0818	-196.20
Check	9/11/2007	6273	Wal-Mart	supplies	-138.66
Check	9/17/2007	6297	Linda Highfield		-100.00
Check	9/18/2007	6300	US Postmaster	deliq statements & stamps	-138.39
Check	9/20/2007	6301	Buffalo Trace Area Development Dist.	on promissory note	-7,100.00
Check	9/21/2007	6303	Maysville Post Office	postage	-5.03
Check	9/21/2007	6304	Randall Tackett	overpayment # 0296-003	-3.02
Check	9/21/2007	6305	Ryan Naylor	overpayment # 0112	-2.70
Check	9/27/2007	6315	Pauline K. Bickley	mileage302 miles-Sept	-108.72
Check	9/28/2007	6316	Melissa L. Dixon	mileage,cable,postage	-204.81
Check	9/30/2007			Service Charge	-50.00
Check	10/1/2007	6317	US Postmaster	billing statements & certified mail	-481.27
Check	10/9/2007	6330	Wal-Mart	supplies	-65.42
Check	10/10/2007	6347	Lewis County Clerk	Fees for recording easements	-255.00
Check	10/16/2007	6357	US Postmaster	deliq statements & stamps	-146.32
Check	10/17/2007	6358	Wal-Mart	supplies	-19.85
Check	10/17/2007	6367	Buffalo Trace Area Development Dist.	on promissory note	-4,200.00
Check	10/25/2007	6372	Jennifer L. Hose	credit from dep # 1050-004	-30.53
Check	10/25/2007	6373	Hershell White	credit from dep # 0406-002	-55.71
Check	10/25/2007	6374	Laura Jackson	credit from dep # 0290-002	-55.50
Check	10/26/2007	6375	Wal-Mart	supplies	-123.26
Check	10/26/2007	6376	Maysville Post Office	postage	-41.00
Check	10/31/2007	6390	Pauline K. Bickley	mileage345 miles-Oct.	-124.20
Check	10/31/2007	6392	US Postmaster	billing statements & stamps	-527.90
Check	10/31/2007			Service Charge	-50.00
Check	11/2/2007	6400	Melissa L. Dixon	mileage,cable,postage	-218.80
Check	11/2/2007	6401	David Shoemaker	reimburs. for crimping tool for Co.	-69.92
Check	11/6/2007	6405	Maysville Post Office	certified mail	-6.28
Check	11/9/2007	6426	Buffalo Trace Area Development Dist.	pay-off on promissory note Dated Jan.10,2007	-1,611.69
Check	11/14/2007	6435	Cummins Industrial Tools	tools	-153.88
Check	11/15/2007	6438	Monica Brewer	CREDIT FROM DEP REF #0676	-23.14
Check	11/15/2007	6439	Angela M. Hamilton	credit from dep ref # 1557-003	-6.67
Check	11/15/2007	6437	Wal-Mart	supplies	-107.83
Check	11/16/2007	6440	US Postmaster	deliq. statements	-130.42
Check	11/20/2007	6441	US Postmaster	certified mail	-4.80
Check	11/26/2007	6453	Michelle Tumey	remainder of dep # 0437B-003	-8.05
Check	11/26/2007	6454	Wilma Morgan	remainder of dep # 1618A-001	-19.79
Check	11/26/2007	6455	Dewayne Hartley	remainder of dep # 1050-005	-19.47
Check	11/26/2007	6456	Brian Devine	remainder of dep # 0069-002	-5.85
Check	11/26/2007	6457	Beverly Reed	remainder of dep ref # 0288F-002	-18.67

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Cash Basis

Western Lewis Rectorville Water and Gas District Transaction Detail by Account January through December 2007

Type	Date	Num	Name	Memo	Paid Amount
Check	11/26/2007	6458	Rickey Flinders	VOID: remainder of dep ref # 0775-002	0.00
Check	11/26/2007	6459	Cory J. Craner	remainder of dep #2320-002	-46.08
Check	11/27/2007	6465	Dorothy Lucas	ref of water tap fee & conn fee	-570.00
Check	11/28/2007	6466	Wal-Mart	supplies	-59.67
Check	11/30/2007	6468	Pauline K. Bickley	mileage 285 miles-Nov.	-102.60
Check	11/30/2007	6469	Melissa L. Dixon	mileage,cable,postage	-107.69
Check	11/30/2007	6471	Maysville Post Office	certified mail	-11.88
Check	11/30/2007	6473	US Postmaster	billing statements & stamps	-555.53
Check	11/30/2007			Service Charge	-50.00
Check	12/5/2007	6489	Lois Ensor	gas budget refund #0236	-140.17
Check	12/6/2007	6490	US Postmaster	certified mail	-6.62
Check	12/14/2007	6508	Sharon R. Dennison	mileage	-68.40
Check	12/14/2007	6510	C & D Electronica, Inc.		-13.98
Check	12/17/2007	6514	Tumbleweed Southwest Grill	continued ed	-594.51
Check	12/18/2007	6517	Wal-Mart	supplies	-52.76
Check	12/18/2007	6518	US Postmaster	deliq statements	-96.16
Check	12/21/2007	6522	Melissa L. Dixon	mileage,cable,postage	-110.82
Check	12/26/2007	6524	Gregory Dudley	credit from dep	-148.12
Check	12/28/2007	6525	Maysville Post Office	postage	-5.63
Check	12/31/2007			Service Charge	-50.00
Total Revenue Account					-52,503.86
Sinking Fund					
Check	4/19/2007	28	USDA/RURAL DEVELOPMENT	Loan #91-01,91-03,91-04,91-07,91-09	-47,740.00
Check	10/11/2007	29	USDA/RURAL DEVELOPMENT	Loan #91-01,91-03,91-04,91-07,91-09	-81,240.00
Total Sinking Fund					-128,980.00
WLR Construction Account-01					
Check	7/3/2007	134	H.M.B. Professional Engineers, Inc.	payment request #7	-49,570.00
Check	7/3/2007	135	Stoll-Keenan- Ogden	professional fees	-9,428.24
Check	7/3/2007	136	Schumacher Law Office	professional fees	-3,568.56
Check	8/1/2007	137	WLR REVENUE ACCOUNT	Phase IV Project expenses reimbursed	-7,431.01
Check	8/1/2007	138	H.M.B. Professional Engineers, Inc.	payment request	-6,508.00
Check	8/1/2007	139	Caldwell Tanks, Inc.	Partial Payment Contract II, Phase IV	-13,794.19
Check	9/24/2007	140	G & W Construction Co. Inc.	phase IV project- Contract I	-616,219.62
Check	9/24/2007	141	Caldwell Tanks, Inc.	Payment Contract II, Phase IV	-14,771.81
Check	10/1/2007	142	G & W Construction Co. Inc.	phase IV project- Contract I	-515,749.18
Check	10/1/2007	143	H.M.B. Professional Engineers, Inc.	payment request	-36,043.14
Check	10/9/2007	144	H.M.B. Professional Engineers, Inc.	payment request #4	-26,610.05
Check	10/11/2007	145	Caldwell Tanks, Inc.	Payment Contract II, Phase IV	-42,849.00
Check	10/11/2007	146	G & W Construction Co. Inc.	phase IV project- Contract I-partial paym.	-41,821.27
Check	10/29/2007	147	G & W Construction Co. Inc.	phase IV project- Contract I	-355,523.06
Check	10/29/2007	148	Buffalo Trace Area Development Dist.	phase IV	-7,500.00
Check	10/29/2007	149	The Kentucky Infrastructure Authority	WX21161001 2007 1EDF \$250,000.00	-1,250.00
Check	11/16/2007	150	G & W Construction Co. Inc.	phase IV project- Contract I	-73,842.43
Check	11/16/2007	151	H.M.B. Professional Engineers, Inc.	phase IV	-2,610.28
Total WLR Construction Account-01					-1,825,089.84
WLR Escrow Account					
Check	1/19/2007	1685	Sheila Kinder	remainder of dep # 0541	-41.12
Check	1/23/2007	1686	Kathy Spencer	ref of water dep for Laura Gast	-55.07
Check	1/23/2007	1687	Revenue Account	dep taken towards acct's	-2,273.17
Check	2/19/2007	1688	DG Schell Realtors	dep ref # 0142-003	-55.14
Check	2/19/2007	1689	Joseph Doyle	ref of dep # 0375B	-55.14
Check	2/19/2007	1690	H & H Farms	ref of dep # 2303	-55.14
Check	2/19/2007	1691	Wilma Hargett	ref of dep #0461-002	-55.14
Check	2/23/2007	1692	WLR REVENUE ACCOUNT	deposits towards acct's	-240.61
Check	3/22/2007	1694	Leona Campbell	dep ref # 1533	-255.99
Check	3/22/2007	1695	Frank Winstead	ref of dep # 0958A	-130.50
Check	3/22/2007	1696	Taffy Corns	ref of dep # 1050-003	-130.50
Check	3/22/2007	1697	Ethel Sloop	ref of dep # 0332B	-12.02
Check	4/20/2007	1698	Doug Applegate	ref of wat dep # 0378	-55.80
Check	5/24/2007	1700	WLR REVENUE ACCOUNT	deposits towards acct's	-1,182.65
Check	5/24/2007	1701	Michael Holder	refund of wat dep #1878	-55.35
Check	5/24/2007	1702	Brenda Hutchinson	refund of wat and sewer dep # 1054	-130.84
Check	5/24/2007	1703	Mark May	ref of water dep #0051	-55.35
Check	6/25/2007	1704	Tony Holton	ref of wat dep # 0087	-55.42
Check	6/25/2007	1705	Larry Arrasmith	wat dep ref # 0667-003	-55.42
Check	6/25/2007	1707	Constance Fby	wat dep ref # 0363-003	-55.42
Check	6/25/2007	1708	Brian Banks	dep ref # 2008A	-55.42
Check	6/25/2007	1709	Garey Beckett	dep ref # 0546	-30.23
Check	6/25/2007	1710	Randy Powell	gas dep ref # 0109-002	-113.34
Check	7/27/2007	1711	WLR REVENUE ACCOUNT	deposits towards acct's	-1,525.01
Check	7/27/2007	1712	Thomas M. Calvert	ref of dep # 0986	-100.40
Check	7/27/2007	1713	Tammie & Timothy Evans	refund of water dep # 0384-002	-55.50
Check	7/27/2007	1714	Jeff Hall	ref of water dep# 0142-004	-55.42
Check	7/27/2007	1715	Carol Erskine	dep ref # 2046M	-55.50
Check	7/27/2007	1716	Michelle McDowell Medley		-100.91

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 Cash Basis

Western Lewis Rectorville Water and Gas District
Transaction Detail by Account
 January through December 2007

Type	Date	Num	Name	Memo	Paid Amount
Check	7/27/2007	1717	William Patterson	dep refund # 2324	-131.18
Check	7/27/2007	1718	Robin Fite	dep ref # 1804	-55.50
Check	7/27/2007	1719	Eric Weber	dep ref # 0054	-181.63
Check	7/27/2007	1720	Jesse D. Sexton	remaining dep ref # 0541E-002	-24.48
Check	7/27/2007	1721	Karen Sartin	remaining dep ref # 1004	-10.59
Check	7/27/2007	1722	Betty Cooley	VOID: remaining dep # 0383-004	0.00
Check	8/23/2007	1724	Brandi Howard	remaining dep # 1952B	-21.45
Check	8/23/2007	1725	Kenneth Hurst	remaining dep # 0417A	-12.31
Check	8/23/2007	1726	Greg Gerike	ref of dep #0707	-181.87
Check	8/23/2007	1723	Adam McKinney	ref of dep # 0308	-181.87
Check	8/23/2007	1727	Melinda Thoroughman	remaining dep # 1620-002	-35.61
Check	8/23/2007	1728	Rebecca Burlew	remaining dep #0668-002	-27.81
Check	8/23/2007	1729	Herbert Hopkins	remaining dep # 0021	-27.81
Check	8/23/2007	1730	Nicole Brewer	dep ref #2381-002	-130.67
Check	9/12/2007	1732	Tyson Farina	remaining deposit # 2325-004	-29.98
Check	9/21/2007	1734	Thomas Bryant	remaining deposit #0974-005	-25.46
Check	9/21/2007	1742	Kay Walter	remaining dep # 1678c	-9.18
Check	9/21/2007	1735	Rachel Skidmore	dep refund # 1799-003	-55.64
Check	9/21/2007	1736	Billy Lanthorn	remaining dep # 0682H	-27.88
Check	9/21/2007	1737	Jesse Ballard	remaining dep # 1238B	-33.65
Check	9/21/2007	1743	Kevin Carroll	remaining dep # 1001A-002	-12.83
Check	9/21/2007	1738	Krista Lang	deposit ref # 1787	-55.64
Check	9/21/2007	1739	Arthur Applegate	remaining dep # 1620A	-97.52
Check	9/21/2007	1740	Ryan Naylor	deposit ref # 0112	-182.10
Check	9/21/2007	1741	Tonya Hord	deposit ref # 2045-02	-55.64
Check	9/21/2007	1744	Erin Jones	remaining dep # 0367-002	-22.21
Check	10/1/2007	1745	Jimmy Clark	remaining dep from # 1599A-004	-34.21
Check	10/24/2007	1746	Kris Denton	ref of water dep # 1680	-55.71
Check	10/24/2007	1747	Regina Roberson	ref of dep # 1591F	-131.69
Check	10/24/2007	1748	James Mast	ref of water dep # 0051A	-55.71
Check	10/24/2007	1749	Boyd Sexton	ref of wat dep # 0447	-55.71
Check	10/24/2007	1750	Terrie McNutt	ref of dep #0962-002	-258.31
Check	11/26/2007	1752	William Stone	dep refund # 1151-005	-55.29
Check	11/27/2007	1754	Dorothy Lucas	ref of water deposit	-55.00
Check	12/10/2007	1755	Billy Verne	ref of dep	-55.00
Check	12/26/2007	1756	Denny R. Thomas	ref of dep # 2276	-55.85
Check	12/26/2007	1757	Gary Sweazy	ref of dep # 1494-003	-55.43
Check	12/26/2007	1758	Melissa Littleton	remainder of dep	-21.57
Total WLR Escrow Account					-9,617.51
TOTAL					-2,016,191.21

WESTERN LEWIS-RECTORVILLE WATER & GAS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Year Ended December 31, 2007

OPERATING REVENUES

Water and Gas Sales:

Residential

Commercial

Service Charges and Other Revenue

	<u>Water</u>	<u>Gas</u>
\$ 1,036,004	527,095	508,909
113,650	84,689	28,961
29,343	22,007	7,336

Total Operating Revenues

1,178,997 633,791 545,206

OPERATING EXPENSES

601 Salaries & Wages - Employees

603 Salaries & Wages - Officers & Directors

604 Retirement Expense

610 Purchased Water and Gas

615 Purchased Power

618 Chemicals & Salt

620 Materials & Supplies

636 Professional Fees

650 Maintenance Expense

641/642 Rental Expense

657 Insurance

Budget Refunds

Regulatory Commission Expense

675 Miscellaneous Expense

Depreciation and Amortization

675 Utilities and Telephone

675 Office and Program Expense

Taxes Other Than Income

248,968	601 186,726	62,242
13,800	603 10,350	3,450
30,416	604 22,812	7,604
406,067	610 39,270	366,797
41,383	615 41,383	-
6,422	618 4,817	1,606
80,892	620 30,580	50,312
7,123	636 5,342	1,781
34,226	650 22,290	11,936
12,090	641/642 9,068	3,023
72,912	657 59,494	13,418
1,235	-	1,235
1,803	1,352	451
22,505	675 16,879	5,626
182,835	179,716	3,119
5,397	675 4,047	1,350
13,640	675 10,231	3,409
15,987	11,990	3,997

Total Operating Expenses

1,197,701 656,346 541,354

OPERATING LOSS

(18,704) (22,555) 3,851

NON-OPERATING REVENUES (EXPENSES)

Capital Grants

Customer Tap Fees

Interest Income

Tollesboro Sanitation District No. 1 Fee

Interest Expense

1,589,906	1,589,906	-
60,141	57,508	2,633
3,035	3,035	-
8,771	8,771	-
(96,208)	(96,208)	-

Net Non-Operating Revenues

1,565,645 1,563,012 2,633

NET INCOME

1,546,941 1,540,457 6,484

NET ASSETS, BEGINNING OF YEAR AS RESTATED

3,146,899 3,278,797 (131,898)

PRIOR PERIOD ADJUSTMENT

- (20,700) 20,700

NET ASSETS, END OF YEAR

\$ 4,693,840 \$ 4,798,554 \$ (104,714)

The accompanying notes are an integral part of these financial statements.

Reconciled with Statement 7-1

22206700 Western Lewis-Rectorville Water and Gas District 01/01/2007 - 12/31/2007
 Water Utility Expense Accounts (Ref Page: 28)

Current Year (G)	Supply and Exp-Op (d)	Supply and Exp-Maint (e)	Water Treatment Exp-Op (f)	Water Treatment Exp-Maint (g)	Trans and Dist Exp-Op (h)	Trans and Dist Exp-Maint (i)	Customer Accs Exp (j)	Admin and Gas Exp
Salaries and Wages-Employees (601)	\$186,726.00	\$0.00	\$0.00	\$0.00	\$140,890.00	\$0.00	\$0.00	\$45,836.00
Salaries and Wages-Officers, Directors and Majority Stockholders (603)	\$10,350.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,350.00
Employee Pensions and Benefits (604)	\$22,812.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$22,812.00
Purchased Water (610)	\$39,270.00	\$0.00	\$0.00	\$39,270.00	\$0.00	\$0.00	\$0.00	\$0.00
Purchased Power (615)	\$41,383.00	\$0.00	\$0.00	\$41,383.00	\$0.00	\$0.00	\$0.00	\$0.00
Fuel for Power Production (616)								
Chemicals (618)	\$4,817.00	\$0.00	\$4,817.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Materials and Supplies (620)	\$30,580.00	\$0.00	\$0.00	\$30,580.00	\$0.00	\$0.00	\$0.00	\$0.00
Contractual Services - Eng. (631)								
Contractual Services - Acct. (632)								
Contractual Services - Legal (633)								
Contractual Services - Management Fees (634)								

22206700 Western Lewis-Rectorville Water and Gas District 01/01/2007 - 12/31/2007
 Water Utility Expense Accounts (Ref Page: 28)

	Current Year (6)	Supply and Exp-Op (6)	Supply and Exp-Maint (6)	Water Treatment Exp-Op (7)	Water Treatment Exp-Maint (8)	Trans and Dist Exp-Op (9)	Trans and Dist Exp-Maint (1)	Customize Accts Exp (1)	Admin and Gen Exp
Contractual Services - Water Testing (635)	\$5,342.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,342.00
Contractual Services - Other (636)	\$3,631.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,631.00
Rental of Bld./Real Property (641)	\$5,437.00	\$0.00	\$5,437.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rental of Equipment (642)	\$22,290.00	\$0.00	\$22,290.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transportation Expenses (650)	\$59,494.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Vehicle (656)	\$59,494.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - General Liability (657)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Worker's Compensation (658)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance - Other (659)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advertising Expenses (660)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Regulatory Commission Exp.	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
-Amortization of Rate Case (666)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
-Other (667)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

22206700 Western Lewis-Rectorville Water and Gas District 01/01/2007 - 12/31/2007
 Water Utility Expense Accounts (Ref Page: 28)

Current Year (c)	Supply and Exp-Op (d)	Supply and Exp-Maint (e)	Water Treatment Exp-Op (f)	Water Treatment Exp-Maint (g)	Trans and Dist Exp-Op (h)	Trans and Dist Exp-Maint (i)	Customer Accts Exp (j)	Admin and Gen Exp
Water Resource Conservation Expense (668)								
Bad Debt (670)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,157.00
Miscellaneous Expenses (675)	\$31,157.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total	\$59,494.00	\$58,307.00	\$4,817.00	\$80,653.00	\$140,890.00	\$0.00	\$0.00	\$119,128.00

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Western Lewis Rectorville Water and Gas District
Journal
December 31, 2007

<u>Trans #</u>	<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
34536	General Journal	12/31/2007	aud-1	Water Tap	28,000.00	
				Loan payment		28,661.69
				Interest Expense	661.69	
				Bonds Payable - RD 88A	3,000.00	
				Bonds Payable - RD 88B	2,500.00	
				Bonds Payable - RD 96A	13,000.00	
				Bonds Payable - RD 96B	11,000.00	
				Bonds Payable 2001	4,000.00	
				Interest Expense		33,500.00
				Bonds Payable - RD 88B	500.00	
				Bonds Payable - RD 96A	1,000.00	
				Bonds Payable - RD 96B	1,000.00	
				Current Portion Bonds		2,500.00
				Interest Receivable - Div	886.01	
				Interest Income		886.01
				Retained Earnings	236.26	
				Interest Income		236.26
				Commissioner's Salaries	13,800.00	
				Payroll Expenses		35,614.74
				Payroll Tax Expense	21,814.74	
				Returned Checks	100.35	
				Retirement Expense		100.35
				Contributions in Aid RD	144,884.03	
				KRWFC - S/T Loan		144,884.03
				Unbilled Revenue	12,742.45	
				Collections		12,742.45
				Amortization Expense	889.50	
				Unamortized Debt Expense		889.50
				Budget Billings	19,758.64	
				Collections		19,758.64
				Accrued sick leave	3,200.78	
				Payroll Tax Expense		3,200.78
				Accrued Payroll Taxes	408.25	
				Accrued Sales & Utility Taxes		557.98
				Payroll Liabilities	16,024.83	
				Payroll Tax Expense		16,433.08
				State Tax	292.48	
				Taxes	265.50	
				Note Payable Water	20,700.00	
				Interest Receivable - Div		19,055.51
				Notes Due From Gas Div		20,700.00
				Interest Payable Div	19,055.51	
				Liability Insurance	14,407.96	
				Prepaid Insurance		14,407.96
				Payroll Tax Expense	10,602.79	
				Retirement Expense		10,602.79
				Deposits	33,000.94	
				Customer Deposits		33,000.94
				Accounting	4,200.00	
				1099 Misc		4,200.00
				Water	10,929.00	
				Gas	5,000.00	
				Inventory		15,929.00
				Utility Plant	3,775.00	
				Utility Plant	2,800.00	
				Utility Plant		604.19
				Contracted Services		3,775.00
				1099 Misc		2,800.00
				Office Supplies	604.19	
				Utility Plant	58,852.40	
				Maintenance Water		58,852.40
				Depreciation Expense	181,945.00	
				Accumulated Depreciation		181,945.00
				Utility Plant	21,240.00	
				Water		19,080.00
				Gas		2,160.00
					687,078.30	687,078.30

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03/28/09

Western Lewis Rectorville Water and Gas District
Journal
December 31, 2007

<u>Trans #</u>	<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
34537	General Journal	12/31/2007	aud-2	Accounts Receivable Accts. Rec. Reconcile	26,076.86	26,076.86
					26,076.86	26,076.86
34538	General Journal	12/31/2007	aud-3	Accts. Rec. Reconcile Collections	26,076.86	26,076.86
					26,076.86	26,076.86
34539	General Journal	12/31/2007	aud-4	Collections State Tax Taxes Collections Other Expenses	37,975.10	8,600.17 29,374.93
					142,502.10	142,502.10
					180,477.20	180,477.20
34540	General Journal	12/31/2007	aud-5	Collections sanitation District #1	8,771.00	8,771.00
					8,771.00	8,771.00
37213	General Journal	12/31/2007	audre...	Payroll Tax Expense Payroll Liabilities Interest Income Interest Receivable - Div WLR Savings Account Retained Earnings	2,032.38 85.21 130.07	2,032.38 85.21 130.07
					2,247.66	2,247.66
TOTAL					930,727.88	930,727.88



Kentucky Employees Retirement System
County Employees Retirement System
State Police Retirement System

KENTUCKY RETIREMENT SYSTEMS
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601



Robert M. Burnside
Executive Director
Phone 502-696-8800
FAX # 502-696-8622
www.kyret.com

MEMORANDUM

TO: Agencies participating in the County Employees Retirement System

FROM: Robert M. Burnside, Executive Director
Kentucky Retirement Systems

DATE: June 30, 2008

SUBJECT: Contribution Rates for Fiscal Year 2008-2009

As a result of the passage of HB 1 during the 2008 Special Legislative Session of the Kentucky General Assembly, the following CERS employer contribution rates will be effective beginning July 1, 2008:

CERS nonhazardous	13.50%
CERS hazardous	29.50%

Please distribute copies of this memorandum to the individuals responsible for your budget. Employer contribution rates for all systems may be amended if legislation affecting the rates is enacted in upcoming sessions of the Kentucky General Assembly.



KENTUCKY RETIREMENT SYSTEMS
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601



Kentucky Employees Retirement System
County Employees Retirement System
State Police Retirement System

William P. Hanes, Esq.
Executive Director
Phone 502-696-8800
FAX # 502-696-8822
www.kyrel.com

MEMORANDUM

TO: Agencies participating in the County Employees Retirement System
FROM: William P. Hanes, Esq., Executive Director
Kentucky Retirement Systems
DATE: November 16, 2006
SUBJECT: Contribution Rates for Fiscal Year 2007-2008

The Kentucky Retirement Systems Board of Trustees adopted the following employer contribution rates at their November 16, 2006 meeting in accordance with KRS 61.565 and the recommendation of the actuary:

CERS nonhazardous	16.17%
CERS hazardous	33.87%

These rates will be effective July 1, 2007.

Please distribute copies of this memorandum to the individuals responsible for your budget. Employer contribution rates for all systems may be amended if legislation affecting the rates is implemented in upcoming sessions of the Kentucky General Assembly.



Kentucky Employees Retirement System
County Employees Retirement System
State Police Retirement System

KENTUCKY RETIREMENT SYSTEMS
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601



William P. Hanes, Esq.
Executive Director
Phone 502-696-8800
FAX # 502-696-8822
www.kyret.com

MEMORANDUM

TO: Agencies participating in the County Employees Retirement System
FROM: William P. Hanes, Esq., Executive Director
Kentucky Retirement Systems
DATE: November 18, 2005
SUBJECT: Contribution Rates for Fiscal Year 2006-2007

The Kentucky Retirement Systems Board of Trustees adopted the following employer contribution rates at their November 17, 2005 meeting in accordance with KRS 61.565 and the recommendation of the actuary:

CERS nonhazardous	13.19%	<i>put this in 6-30-06</i>
CERS hazardous	28.21%	

These rates will be effective July 1, 2006.

Please distribute copies of this memorandum to the individuals responsible for your budget. Employer contribution rates for all systems may be amended if legislation affecting the rates is implemented in upcoming sessions of the General Assembly.

County Employees



KENTUCKY RETIREMENT SYSTEMS
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601



Kentucky Employees Retirement System
County Employees Retirement System
State Police Retirement System

William P. Hanes, Esq.
Executive Director
Phone 502-564-4646
FAX # 502-564-5656
www.kyret.com

MEMORANDUM

TO: Agencies Participating in the County Employees Retirement System
FROM: William P. Hanes, Esq., Executive Director *WPH*
Kentucky Retirement Systems
DATE: November 19, 2004
SUBJECT: Contribution Rates for Fiscal Year 2005-2006

The Kentucky Retirement Systems Board of Trustees adopted the following employer contribution rates at their November 18, 2004 meeting in accordance with KRS 61.565 and the recommendation of the actuary:

CERS nonhazardous	10.98%
CERS hazardous	25.01%

put this rate in computer July 1st, 2005 Done 6-29-05

These rates will be effective July 1, 2005.

Please distribute copies of this memorandum to the individuals responsible for your budget.

Lee Utility Consulting
900 Argyll Drive
Danville, KY 40422

Date 12/15/2008
Invoice # 1519

Bill To

John Thomas
Western Lewis Rectorville W.D.
8000 Day Pike
Maysville, KY 41056

Ship To

P.O. #
Terms

Ship Date 12/15/2008
Due Date 1/13/2009
Other

Item	Description	Qty	Price	Amount
9-16-08	Mileage	206	0.60	123.60
9-18-08	Billing Analysis	4	150.00	600.00
9-19-08	Billing Analysis	3.75	150.00	562.50
9-21-08	Cost of Service Study	4.5	150.00	675.00
9-22-08	Cost of Service Study	3.75	150.00	562.50
9-24-08	Billing Analysis	4	150.00	600.00
9-25-08	Revenue Requirement	3.75	150.00	562.50
9-26-08	Billing Analysis and Revenue Requirement	5.25	150.00	787.50
10-16-08	Prepared Application	5.25	150.00	787.50
18-18-08	Reviewed Application	6.25	150.00	937.50

Amount Per Contract \$5,300.00

Thank You

Lee Utility Consulting
cjlee52@roadrunner.com

502-320-9177
Fax 859-238-0283

Subtotal	\$6,198.60
Sales Tax (0.0%)	\$0.00
Total	\$6,198.60
Payments/Credits	\$0.00
Balance Due	\$6,198.60

WESTERN LEWIS-RECTORVILLE WATER & GAS DISTRICT

Operating expenses that are allocated between water and gas divisions including the allocation factor used for reporting purposes:

<u>Operating Expense</u>	<u>Allocation Factor</u>
Salaries & Wages – Employees	75% Water; 25% Gas: Based on Historical Analysis of Labor Hours and Costs for District Employees
Salaries & Wages – Officers & Directors	75% Water; 25% Gas: Based on Historical Analysis of Labor Hours and Costs for District Officers/Directors
Employee Pensions & Benefits	75% Water; 25% Gas: Based on Historical Analysis of Labor Hours and Costs for District Employees
Purchased Water	Actual Expenses Incurred for Each Division
Purchased Power	Actual Expenses Incurred for Each Division
Chemicals	75% Water; 25% Gas: Based on Historical Analysis of Expense Account Transactions and Inquiry of District Management
Materials & Supplies	Actual Expenses Incurred for Each Division
Contractual Services – Other	75% Water; 25% Gas: Based on Historical Analysis of Expense Account Transactions and Inquiry of District Management
Rental of Bld./Real Property	75% Water; 25% Gas: Based on Historical Analysis of Expense Account Transactions and Inquiry of District Management
Rental of Equipment	75% Water; 25% Gas: Based on Historical Analysis of Expense Account Transactions and Inquiry of District Management
Maintenance Expenses	Actual Expenses Incurred for Each Division
Insurance – General Liability	Actual Expenses Incurred for Each Division
Miscellaneous Expenses	75% Water; 25% Gas: Based on Historical Analysis of Expense Account Transactions and Inquiry of District Management
Depreciation & Amortization	Actual Expenses Incurred for Each Division
Taxes Other Than Income	Actual Expenses Incurred for Each Division

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2001, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

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A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, SERIES 2001, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a de jure water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District, a portion of which 1961 Bonds are currently outstanding; and

WHEREAS, it is provided in and by the 1961 Ordinance that the District may issue additional bonds or other obligations in order to pay the costs of additions, improvements and extensions to the System without any proof of previous earnings or net revenues, provided that such additional bonds or other obligations are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the 1961 Bonds; and

WHEREAS, pursuant to the above cited provisions the District authorized, by Resolution of September 10, 1988 (the "1988 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1988 Series A and B, in the aggregate amount of \$280,000, dated March 23, 1989 (the "1988 Bonds"), subject to the priorities, liens and rights of the 1961 Bonds, for the purpose of adding new water line additions and extensions, a portion of which 1988 Bonds are currently outstanding; and

WHEREAS, it was provided in and by the 1988 Resolution, that the District may issue additional bonds ranking on a basis of parity and equality with the 1988 Bonds, and pursuant to the above cited provisions the District authorized, by Resolution of May 17, 1996 (the "1996 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1996 Series A and B, in the aggregate amount of \$1,721,000, dated November 12, 1996 (the "1996 Bonds"), subject to the priorities, liens and rights of the 1961 Bonds; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the Bonds herein authorized) the right and authority to acquire, construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the acquisition, construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the aforesaid project will be \$1,719,600, and to provide such funds the District has received from the Rural Economic and Community Development Service of the United States Department of Agriculture ("USDA") an offer to make a USDA loan to the District in the amount of \$333,000, which will be supplemented by a grant from USDA in the amount of \$333,000, an ARC grant of \$350,000, an HUD-CDBG Grant in the amount of \$673,600, and available funds of the District in the amount of \$30,000; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$333,000 through issuance and sale of its Water and Gas System Revenue Bonds, Series 2001 (the "2001 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74, the provisions of the 1961 Ordinance permitting the issuance of subordinate bonds or other obligations and the provisions of the 1988 Resolution and 1996 Resolution permitting the issuance of parity bonds; and the 2001 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky, provided that, as aforesaid, the 2001 Bonds shall be subject to the prior and superior pledges, liens and rights of the outstanding 1961 Bonds;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 2001 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 2001 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

ACKNOWLEDGMENT OF OUTSTANDING 1961 BONDS
AND PRIOR SECURITIES THEREOF;
2001 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

The District acknowledges that it has previously issued or incurred, and that there are outstanding at this time, the 1961 Bonds, as identified and described in the preamble hereof, and further that the 2001 Bonds herein authorized to be issued shall be subordinate and inferior as to security and source of payment to the outstanding 1961 Bonds so long as same are outstanding and unpaid. It is acknowledged and affirmed by the District that said outstanding 1961 Bonds possess prior and superior liens and rights with respect to the System and its income and revenues, and nothing in this Resolution shall be construed as impairing, amending or in any way diminishing said security rights, liens and interests. In this connection, the provisions of the 1961 Ordinance are hereby reaffirmed. The District hereby agrees and covenants that so long as the 2001 Bonds herein authorized are outstanding, it will not issue any bonds ranking on a parity with said outstanding 1961 Bonds.

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 2001 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, Series 2001, in the aggregate principal amount of \$333,000 (the "2001 Bonds").

The 2001 Bonds shall be dated as of the date of their original delivery and shall be issuable as a single fully registered bond without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 2001 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 2001 Bonds shall mature as to principal in installments on November 1 in each of the years 2004 to 2041, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 2001 Bonds as hereinafter provided. The installments of principal of the 2001 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2004	\$ 3,500	2017	\$ 6,000	2030	\$ 11,000
2005	3,500	2018	6,500	2031	11,500
2006	4,000	2019	6,500	2032	12,000
2007	4,000	2020	7,000	2033	12,500
2008	4,000	2021	7,500	2034	13,000
2009	4,500	2022	7,500	2035	13,500
2010	4,500	2023	8,000	2036	14,000
2011	4,500	2024	8,500	2037	15,000
2012	5,000	2025	8,500	2038	15,500
2013	5,000	2026	9,000	2039	16,000
2014	5,500	2027	9,500	2040	17,000
2015	5,500	2028	10,000	2041	17,500
2016	6,000	2029	10,500		

provided, however, that installments of principal of the 2001 Bonds maturing on and after November 1, 2012, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 2011, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 2001 Bonds; provided, that so long as USDA is the owner of any of the 2001 Bonds, the same may be prepaid in whole or in part at any time, at par plus accrued interest, and without notice or prepayment premium. The 2001 Bonds may be prepaid only in increments of \$500.

Both principal of and interest on the 2001 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 2001 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 2001 Bond. The 2001 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 2001 Bond and Interest Sinking Fund," as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 2001 Bonds herein authorized to be issued shall rank on a basis of parity and equality as to security and source of payment with the outstanding 1988 Bonds and 1996 Bonds, as previously defined, inasmuch as the District is in compliance with all covenants and undertakings in connection with its 1988 and 1996 Bonds, has obtained the waiver and consent of USDA, as the holder of the 1988 and 1996 Bonds, to the issuance of the parity 2001 Bonds herein authorized, and is otherwise in compliance with the parity bond terms and conditions of the 1988 Resolution.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 2001 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg,

Lewis County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 2001 Bonds to be sold, the time of the sale and other details concerning the 2001 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 2001 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, *inter alia*, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 2001 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 2001 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 2001 Bonds.

(B) The single interest rate must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 2001 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 2001 Bonds, which good faith deposit may be applied as partial payment for the 2001 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 2001 Bonds, computed from the first day of the month following the date of sale of the 2001 Bonds (even though the 2001 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 2001 Bonds at the office of the District within 45 days after the date of sale thereof. If the 2001 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 2001 Bonds, except that 2001 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 2001 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 2001 Bonds, without additional cost to the successful bidder.

In the event that there is no bid, or that all bids are rejected, the District may re-advertise the sale pursuant to this Resolution.

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 2001 Bonds.

SECTION 5

2001 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 2001 Bonds, the District shall issue a single fully registered 2001 Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of \$333,000, maturing as to principal in installments as set out in Section 3 hereof. The Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. The Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 2001 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. The Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon the transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on such Fully Registered Bond and deliver a Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums

so paid. The face amount of the Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

The Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS
WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, SERIES 2001

No. R-1 \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____ DOLLARS (\$ _____) on the first day of November in years and installments as follows:

Year Principal Year Principal Year Principal

(Here insert the principal maturities of the 2001 Bonds)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds in the principal amount of \$333,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying

the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961 (the "1961 Bonds"), which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents; and so long as any of the 1961 Bonds are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing the 1961 Bonds, and it is acknowledged that this Bond and the issue which it represents are subject to the prior pledges, liens and rights securing the 1961 Bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds and 1996 Series A and B Bonds.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements of the ordinance authorizing the 1961 Bonds, to pay promptly the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the Secretary of the District, as the Bond Registrar, with a written transfer duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2011, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of Five Hundred Dollars (\$500) as the District may determine, at a price in an amount

equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from *ad valorem* taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

By _____
Chairman of the Commission

ATTEST:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of the Western Lewis-Rectorville Water District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to the Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Signature of the Water District's Bond Registrar</u>
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 2001 Bonds)

SECTION 6

DISPOSITION OF 2001 BOND PROCEEDS: CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 2001 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 2001 Bonds shall be applied as follows:

Upon the issuance and delivery of the 2001 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 2001 Construction Fund" (the "Construction Fund") created by separate interim financing Resolution of the Commission of the District adopted concurrently herewith. Said 2001 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 2001 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 2001 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the USDA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 2001 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 2001 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and Secretary and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 2001 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 2001 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 2001 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 2001 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 2001 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS;
ACCUMULATION OF REVENUES

All proceedings preliminary to and in connection with the issuance of the 1961 Bonds, particularly the 1961 Ordinance, whereby provision was made for the operation of the System on a revenue-producing basis, for the segregation, allocation and custody of revenues derived from the operation of the System, and for the enforcement and payment of the 1961 Bonds, are hereby ratified and confirmed and shall continue in full force and effect, the same as if such provisions and proceedings were herein set out in full, and nothing herein shall be construed as altering, revising or amending said contractual relationships; and so long as the 1961 Bonds remain outstanding and unpaid, the District shall maintain all funds required to be maintained and created by the terms of the 1961 Ordinance.

Consistent with the foregoing, it is hereby resolved and provided that from and after issuance and delivery of the 2001 Bonds herein authorized, and so long as any of the 2001 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), which shall be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be allocated to the respective accounts as set out in the 1961 Ordinance and shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the 1961 Ordinance. After making from the Revenue Fund the separate account allocations and all disbursements and payments required to be made in fulfillment of the contractual commitments made in connection with the 1961 Bonds (as provided in the 1961 Ordinance), the moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District was created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall continue to be maintained so long as any of the 2001 Bonds herein authorized or parity bonds are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988, 1996 and 2001 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 2001 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund (having due regard to the priorities in connection with the outstanding 1961 Bonds) to the Sinking Fund, in addition to the

principal and interest requirements of the 1988 Bonds and 1996 Bonds according to the 1988 Resolution, not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 2001 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 2001 Bonds then outstanding; and
- (ii) beginning on November 20, 2003, a sum equal to one-twelfth (1/12) of the principal of all 2001 Bonds maturing on the next succeeding November 1.

In the event additional parity bonds are issued pursuant to the conditions and restrictions hereinafter prescribed in that connection, the monthly deposits to the Sinking Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 2001 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

* * * * *

The District has previously, by the 1961 Ordinance, created special funds for purposes of the 1961 Bonds and the System, identified as the "Water and Gas Bond and Interest Sinking Fund" (including the debt service reserve therein), the "Depreciation Fund" and the "Operation and Maintenance Fund." All provisions relating to said identified special funds are hereby ratified, readopted and affirmed; said Funds shall continue to be maintained according to the resolutions establishing same; and so long as the 2001 Bonds herein authorized are outstanding, the Revenue Fund and the aforesaid Depreciation Fund and Operation and Maintenance Fund created by the 1961 Ordinance shall continue in effect, with the District making such monthly transfers to said Depreciation and Operation and Maintenance Funds from the Revenue Fund as are required by the terms of the 1961 Ordinance; provided that the monthly payments into the Depreciation Fund from the Revenue Fund with respect to the 2001 Bonds (in addition to such payments required for the 1961, 1988 and 1996 Bonds) shall be at least \$155.

SECTION 8

COVENANTS TO BONDHOLDERS

In addition to and not in derogation of the covenants contained in the 1961 Ordinance in favor of the holders of the 1961 Bonds, the District hereby irrevocably covenants and agrees with the holder

or holders of any and all 2001 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate the System on a revenue-producing basis, and will permit no free services to be rendered or afforded thereby.

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 2001 Bonds are outstanding, it will not (subject to the pre-existing rights of the holders of the 1961 Bonds) sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and in the 1961 Ordinance, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 2001 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 2001 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1961 Bonds and then 1988, 1996 and 2001 Bonds in accordance with the provisions governing prepayment of said Bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 2001 Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of

reserves as herein provided; and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the 2001 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 2001 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into all sinking funds established for the 1961 Bonds. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, moneys, and funds of the District, and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution, in the amount and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent

state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 2001 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 2001 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 2001 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 2001 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District (but not in derogation of any of the prior rights and security interests created in connection with the 1961 Bonds), with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The District will cause each municipal officer or other person (other than depository banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient

to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workmen's Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 2001 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 2001 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 2001 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 2001 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 2001 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through

the issuance of parity bonds, provided that it has obtained (i) the consent of USDA, and (ii) if any 2001 Bonds are owned by persons other than USDA, the consent of the holders of two-thirds in principal amount of the outstanding 2001 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 2001 Bonds, provided in each instance that:

- (i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding 2001 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 2001 Bonds and parity bonds, if any, then outstanding; and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 2001 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 2001 Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;

- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as “permitted” to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 2001 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 2001 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 2001 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 2001 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 2001 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 2001 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 2001 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 2001 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 2001 Bonds deposited in the Construction Fund for the payment of the costs of the Project will be made promptly in order that the Project will be

completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 2001 Bonds that so long as any of the 2001 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 2001 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 2001 Bonds or from any other sources, will not be invested or used in a manner which will cause the 2001 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the 2001 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 2001 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the 2001 Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 2001 Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the 2001 Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the 2001 Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 2001 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 2001 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the Bonds will be used for expenditures on the Project within six months, at least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 2001 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 2001 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 2001 Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(D) The weighted average maturity of the 2001 Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(E) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the 2001 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 2001 Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(F) The 2001 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(G) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(H) The District will not use or permit the use of any of the funds provided by the 2001 Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the 2001 Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the 2001 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(I) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 12

SEVERABILITY CLAUSE

If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

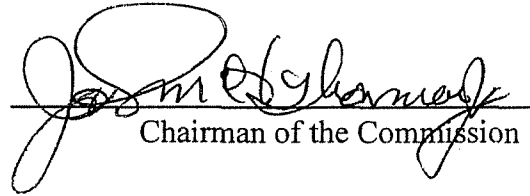
SECTION 14

WHEN RESOLUTION EFFECTIVE

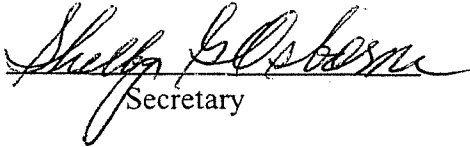
This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 13th day of August, 2001, on the same occasion signed in open session by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)


Chairman of the Commission

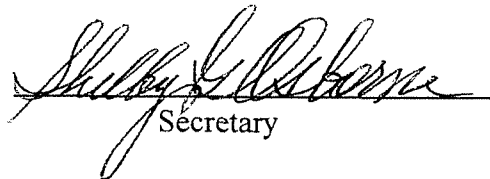
ATTEST:


Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on the 13th day of August, 2001, as shown by the official records in my custody and under my control.

WITNESS my hand this 13th day of August, 2001.


Secretary

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

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A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a de jure water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District, a portion of which 1961 Bonds are currently outstanding; and

WHEREAS, it is provided in and by the 1961 Ordinance that the District may issue additional bonds or other obligations in order to pay the costs of additions, improvements and extensions to the System without any proof of previous earnings or net revenues, provided that such additional bonds or other obligations are issued in express recognition of the priorities, liens

and rights created and existing for the security, source of payment and protection of the 1961 Bonds; and

WHEREAS, pursuant to the above cited provisions the District authorized, by Resolution of September 10, 1988 (the "1988 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1988 Series A and B, in the aggregate amount of \$280,000, dated March 23, 1989 (the "1988 Bonds"), subject to the priorities, liens and rights of the 1961 Bonds, for the purpose of adding new water line additions and extensions, a portion of which 1988 Bonds are currently outstanding; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the Bonds herein authorized) the right and authority to acquire, construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the acquisition, construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the aforesaid project will be \$2,898,300, and to provide such funds the District has received from the Rural Economic and Community Development Service of the United States Department of Agriculture ("USDA") an offer to make a USDA loan to the District in the amount of \$1,721,000, which will be supplemented by a grant from USDA in the amount of \$813,400, an ARC grant of \$225,000, a County contribution of \$70,000 and available funds of the District in the amount of \$68,900; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$1,721,000 through issuance and sale of its Water and Gas System Revenue Bonds, 1996 Series A and B (the "1996 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74, the provisions of the 1961 Ordinance permitting the issuance of subordinate bonds or other obligations and the provisions of the 1988 Resolution permitting the issuance of parity bonds; and the 1996 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky, provided that, as aforesaid, the 1996 Bonds shall be subject to the prior and superior pledges, liens and rights of the outstanding 1961 Bonds;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS; AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 1996 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 1996 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

ACKNOWLEDGMENT OF OUTSTANDING 1961 BONDS AND PRIOR SECURITIES THEREOF; 1996 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

The District acknowledges that it has previously issued or incurred, and that there are outstanding at this time, the 1961 Bonds, as identified and described in the preamble hereof, and further that the 1996 Bonds herein authorized to be issued shall be subordinate and inferior as to

security and source of payment to the outstanding 1961 Bonds so long as same are outstanding and unpaid. It is acknowledged and affirmed by the District that said outstanding 1961 Bonds possess prior and superior liens and rights with respect to the System and its income and revenues, and nothing in this Resolution shall be construed as impairing, amending or in any way diminishing said security rights, liens and interests. In this connection, the provisions of the 1961 Ordinance are hereby reaffirmed. The District hereby agrees and covenants that so long as the 1996 Bonds herein authorized are outstanding, it will not issue any bonds ranking on a parity with said outstanding 1961 Bonds.

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 1996 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, 1996 Series A and B, in the aggregate principal amount of \$1,721,000 (the "1996 Bonds").

The 1996 Bonds shall be dated as of the date of their original delivery and shall be issuable in two Series, 1996 Series A in the principal amount of \$971,000 and 1996 Series B in the principal amount of \$750,000, in each case as a single fully registered bond without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 1996 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 1996 Bonds shall mature as to principal in installments on November 1 in each of the years 1999 to 2036, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 1996 Bonds as hereinafter provided. The installments of principal of each series of Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedules:

1996 Series A Maturity Schedule (\$971,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1999	\$9,000	2012	\$17,000	2025	\$32,000
2000	9,000	2013	18,000	2026	33,000
2001	10,000	2014	19,000	2027	35,000
2002	10,000	2015	19,000	2028	37,000
2003	11,000	2016	21,000	2029	39,000
2004	11,000	2017	21,000	2030	41,000
2005	12,000	2018	23,000	2031	43,000
2006	13,000	2019	24,000	2032	45,000
2007	13,000	2020	25,000	2033	48,000
2008	14,000	2021	26,000	2034	51,000
2009	15,000	2022	28,000	2035	53,000
2010	15,000	2023	29,000	2036	56,000
2011	16,000	2024	30,000		

1996 Series B Maturity Schedule (\$750,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1999	\$8,000	2012	\$14,000	2025	\$24,000
2000	8,000	2013	14,000	2026	26,000
2001	9,000	2014	15,000	2027	27,000
2002	9,000	2015	16,000	2028	28,000
2003	9,000	2016	16,000	2029	29,000
2004	10,000	2017	18,000	2030	31,000
2005	10,000	2018	18,000	2031	32,000
2006	11,000	2019	19,000	2032	33,000
2007	11,000	2020	20,000	2033	35,000
2008	12,000	2021	20,000	2034	36,000
2009	12,000	2022	22,000	2035	38,000
2010	13,000	2023	22,000	2036	38,000
2011	13,000	2024	24,000		

provided, however, that installments of principal of the 1996 Bonds shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 2006, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 1996 Bonds; provided, that so long as USDA is the owner of any of the 1996 Bonds, the same may be prepaid in whole or in part at any time, at par plus accrued interest, and

without notice or prepayment premium. The 1996 Bonds may be prepaid only in increments of \$1,000.

Both principal of and interest on the 1996 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 1996 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 1996 Bond. The 1996 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 1996 Bond and Interest Sinking Fund," as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 1996 Bonds herein authorized to be issued shall rank on a basis of parity and equality as to security and source of payment with the outstanding 1988 Bonds, as previously defined, inasmuch as the District is in compliance with all covenants and undertakings in connection with its 1988 Bonds, has obtained the waiver and consent of USDA, as the holder of the 1988 Bonds, to the issuance of the parity 1996 Bonds herein authorized, and is otherwise in compliance with the parity bond terms and conditions of the 1988 Resolution.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 1996 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg, Lewis County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1996 Bonds to be sold, the time of the sale and other details concerning the 1996 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 1996 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, inter alia, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 1996 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 1996 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 1996 Bonds.

(B) The single interest rate for each series of Bonds must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 1996 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 1996 Bonds, which good faith deposit may be applied as partial payment for the 1996 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 1996 Bonds, computed from the first day of the month following the date of sale of the 1996 Bonds (even though the 1996 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1996 Bonds at the office of the District within 45 days after the date of sale thereof. If the 1996 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1996 Bonds, except that 1996 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 1996 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 1996 Bonds, without additional cost to the successful bidder.

In the event that there is no bid, or that all bids are rejected, the District may re-advertise the sale pursuant to this Resolution.

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 1996 Bonds.

SECTION 5

1996 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 1996 Bonds, the District shall issue a single fully registered 1996 Bond numbered R-[A or B]-1 (hereinafter referred to as the "Fully Registered Bond") for each series of Bonds. Each Fully Registered Bond shall be in the aggregate principal amount of the series it represents, maturing as to principal in installments as set out in Section 3 hereof. Each Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Each Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 1996 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. Each Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon the transfer of each Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on such Fully Registered Bond and deliver a Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded

as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of such Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

Each Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS
WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, 1996 SERIES ____

No. R-__-I \$_____

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____ DOLLARS (\$_____) on the first day of November in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here make appropriate insertions for Series A Bonds
and Series B Bonds, respectively)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment

may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds designated Series ___ in the principal amount of \$_____ issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with the separate series of parity bonds, hereinafter referred to, issued simultaneously herewith and such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961 (the "1961 Bonds"), which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents; and so long as any of the 1961 Bonds are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing the 1961 Bonds, and it is acknowledged that this Bond and the issue which it represents are subject to the prior pledges, liens and rights securing the 1961 Bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds. The Bonds of this series rank on a basis of parity and equality with certain identically styled bonds designated 1996 Series ___ and issued simultaneously with the Bonds of this series pursuant to said Bond-authorizing Resolution.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements

of the ordinance authorizing the 1961 Bonds, to pay promptly the interest on and principal of this series of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the Secretary of the District, as the Bond Registrar, with a written transfer duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2006, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Thousand Dollars (\$1,000) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the

Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

By _____
Chairman of the Commission

ATTEST:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of the Western Lewis-Rectorville Water District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to the Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Signature of the Water District's Bond Registrar</u>
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	
<hr/>		
<hr/>		

*(To be inserted if USDA purchases the 1996 Bonds)

SECTION 6

DISPOSITION OF 1996 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 1996 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 1996 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1996 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 1996 Construction Fund" (the "Construction Fund") created by separate interim financing Resolution of the Commission of the District adopted concurrently herewith. Said 1996 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 1996 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1996 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the USDA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1996 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1996 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and Secretary and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1996 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 1996 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 1996 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 1996 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 1996 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

All proceedings preliminary to and in connection with the issuance of the 1961 Bonds, particularly the 1961 Ordinance, whereby provision was made for the operation of the System on a revenue-producing basis, for the segregation, allocation and custody of revenues derived from the operation of the System, and for the enforcement and payment of the 1961 Bonds, are hereby

ratified and confirmed and shall continue in full force and effect, the same as if such provisions and proceedings were herein set out in full, and nothing herein shall be construed as altering, revising or amending said contractual relationships; and so long as the 1961 Bonds remain outstanding and unpaid, the District shall maintain all funds required to be maintained and created by the terms of the 1961 Ordinance.

Consistent with the foregoing, it is hereby resolved and provided that from and after issuance and delivery of the 1996 Bonds herein authorized, and so long as any of the 1996 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), which shall be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be allocated to the respective accounts as set out in the 1961 Ordinance and shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the 1961 Ordinance. After making from the Revenue Fund the separate account allocations and all disbursements and payments required to be made in fulfillment of the contractual commitments made in connection with the 1961 Bonds (as provided in the 1961 Ordinance), the moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District was created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall continue to be maintained so long as any of the 1996 Bonds herein authorized or parity bonds are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988 and 1996 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 1996 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund (having due regard to the priorities in connection with the outstanding 1961 Bonds) to the Sinking Fund, in addition to the principal and interest requirements of the 1988 Bonds according to the 1988 Resolution, not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 1996 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 1996 Bonds then outstanding; and

- (ii) beginning on November 20, 1998, a sum equal to one-twelfth (1/12) of the principal of all 1996 Bonds maturing on the next succeeding November 1.

In the event additional parity bonds are issued pursuant to the conditions and restrictions hereinafter prescribed in that connection, the monthly deposits to the Sinking Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 1996 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

* * * * *

The District has previously, by the 1961 Ordinance, created special funds for purposes of the 1961 Bonds and the System, identified as the "Water and Gas Bond and Interest Sinking Fund" (including the debt service reserve therein), the "Depreciation Fund" and the "Operation and Maintenance Fund." All provisions relating to said identified special funds are hereby ratified, readopted and affirmed; said Funds shall continue to be maintained according to the resolutions establishing same; and so long as the 1996 Bonds herein authorized are outstanding, the Revenue Fund and the aforesaid Depreciation Fund and Operation and Maintenance Fund created by the 1961 Ordinance shall continue in effect, with the District making such monthly transfers to said Depreciation and Operation and Maintenance Funds from the Revenue Fund as are required by the terms of the 1961 Ordinance; provided that the minimum sum to be accumulated in the Depreciation Fund with respect to the 1996 Bonds (in addition to amounts required to be accumulated for the 1961 and 1988 Bonds) shall be \$95,400, with monthly payments into said Depreciation Fund from the Revenue Fund with respect to the 1996 Bonds (in addition to such payments required for the 1961 and 1988 Bonds) to be at least \$795.

SECTION 8

COVENANTS TO BONDHOLDERS

In addition to and not in derogation of the covenants contained in the 1961 Ordinance in favor of the holders of the 1961 Bonds, the District hereby irrevocably covenants and agrees with the holder or holders of any and all 1996 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate the System on a revenue-producing basis, and will permit no free services to be rendered or afforded thereby.

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 1996 Bonds are outstanding, it will not (subject to the pre-existing rights of the holders of the 1961 Bonds) sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and in the 1961 Ordinance, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 1996 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 1996 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1961 Bonds and then 1988 and 1996 Bonds in accordance with the provisions governing prepayment of said Bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 1996 Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of reserves as herein provided; and such rates and charges shall be adequate to meet all such

requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the 1996 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 1996 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into all sinking funds established for the 1961 Bonds. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, moneys, and funds of the District, and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution, in the amount and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 1996 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 1996 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 1996 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 1996 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District (but not in derogation of any of the prior rights and security interests created in connection with the 1961 Bonds), with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The District will cause each municipal officer or other person (other than depository banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable

value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workmen's Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 1996 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 1996 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 1996 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System,

ranking on a basis of equality and parity as to security and source of payment with the 1996 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 1996 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through the issuance of parity bonds, provided that it has obtained (i) the consent of USDA, and (ii) if any 1996 Bonds are owned by persons other than USDA, the consent of the holders of two-thirds in principal amount of the outstanding 1996 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1996 Bonds, provided in each instance that:

- (i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding 1996 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 1996 Bonds and parity bonds, if any, then outstanding; and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 1996 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this

subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 1996 Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;
- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1996 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 1996 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 1996 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 1996 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 1996 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 1996 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 1996 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 1996 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the proceeds of the 1996 Bonds deposited in the Construction Fund for the payment of costs of the Project will be made promptly in order that the Project may be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 1996 Bonds that so long as any of the 1996 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1996 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 1996 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1996 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, including Sections 1.103-13 and 1.103-14 of the Income Tax Regulations (26 CFR Part 1), as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code, (i) less than 10% of the proceeds of the 1996 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 1996 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived from payments in respect of such property; (ii) at least 90% of the proceeds of the 1996 Bonds will be applied for a public and governmental use of the District; (iii) any private business use of the Project will be related to such public and governmental use of the

District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 1996 Bonds will be used, directly or indirectly, to make or finance loans to private persons.

(B) Within the meaning of Section 148(f)(4)(B) of the Code, it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 1996 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 1996 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 1996 Bonds, the District will take all action necessary to comply therewith.

(C) The 1996 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(D) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(E) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 12

SEVERABILITY CLAUSE

If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

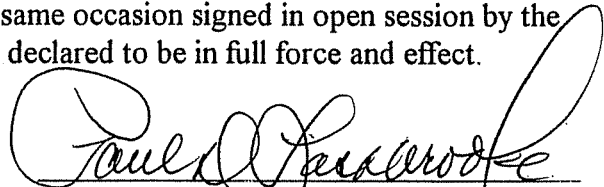
SECTION 14

WHEN RESOLUTION EFFECTIVE


This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 17th day of May, 1996, on the same occasion signed in open session by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)


Chairman of the Commission


ATTEST:


Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on the 17th day of May, 1996, as shown by the official records in my custody and under my control.

WITNESS my hand this 17th day of May, 1996.


Secretary

A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

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A RESOLUTION OF THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S EXISTING WATER AND GAS DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S WATER AND GAS SYSTEM REVENUE BONDS, 1996 SERIES A AND B, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID), SUCH BONDS TO BE ISSUED ON A PARITY WITH CERTAIN OUTSTANDING BONDS BUT IN ACKNOWLEDGMENT OF THE SECURITY RIGHTS OF THE HOLDERS OF CERTAIN OTHER OUTSTANDING BONDS; MAKING AND CONFIRMING PROVISIONS FOR THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE REVENUES OF SAID SYSTEM, AND FOR THE ALLOCATION THEREOF TO VARIOUS SPECIAL FUNDS HERETOFORE AND HEREIN CREATED, IN ORDER TO PROVIDE FOR THE ORDERLY PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS HEREIN AUTHORIZED; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM SAID REVENUES AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE BONDS HEREIN AUTHORIZED AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED

WHEREAS, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), the Western Lewis-Rectorville Water District (the "District"), Lewis and Mason Counties, Kentucky, has been created and organized as a public body corporate and a statutory water district with all powers and authority as provided in KRS Chapter 74; and the District is at this time a de jure water district situated wholly in Lewis and Mason Counties, Kentucky; and

WHEREAS, by Ordinance of the Commission of the District adopted on November 3, 1961 (the "1961 Ordinance"), the District authorized and thereafter issued its Water and Gas System Revenue Bonds, dated November 1, 1961 (the "1961 Bonds"), for the purpose of providing funds for the construction of a water and gas distribution system (the "System") to serve the area of the District, a portion of which 1961 Bonds are currently outstanding; and

WHEREAS, it is provided in and by the 1961 Ordinance that the District may issue additional bonds or other obligations in order to pay the costs of additions, improvements and extensions to the System without any proof of previous earnings or net revenues, provided that such additional bonds or other obligations are issued in express recognition of the priorities, liens

and rights created and existing for the security, source of payment and protection of the 1961 Bonds; and

WHEREAS, pursuant to the above cited provisions the District authorized, by Resolution of September 10, 1988 (the "1988 Resolution"), and thereafter issued its Water and Gas System Revenue Bonds, 1988 Series A and B, in the aggregate amount of \$280,000, dated March 23, 1989 (the "1988 Bonds"), subject to the priorities, liens and rights of the 1961 Bonds, for the purpose of adding new water line additions and extensions, a portion of which 1988 Bonds are currently outstanding; and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained (or otherwise will obtain prior to issuance of the Bonds herein authorized) the right and authority to acquire, construct and operate major extensions and additions to the System, and plans and specifications have heretofore been prepared by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky, and approved by the District's Commission and all State and supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the acquisition, construction and installation of such new facilities at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the aforesaid project will be \$2,898,300, and to provide such funds the District has received from the Rural Economic and Community Development Service of the United States Department of Agriculture ("USDA") an offer to make a USDA loan to the District in the amount of \$1,721,000, which will be supplemented by a grant from USDA in the amount of \$813,400, an ARC grant of \$225,000, a County contribution of \$70,000 and available funds of the District in the amount of \$68,900; and

WHEREAS, it is now appropriate for the District to provide for borrowing said sum of \$1,721,000 through issuance and sale of its Water and Gas System Revenue Bonds, 1996 Series A and B (the "1996 Bonds"), according to authority of Kentucky Revised Statutes ("KRS") Chapters 58 and 74, the provisions of the 1961 Ordinance permitting the issuance of subordinate bonds or other obligations and the provisions of the 1988 Resolution permitting the issuance of parity bonds; and the 1996 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky, provided that, as aforesaid, the 1996 Bonds shall be subject to the prior and superior pledges, liens and rights of the outstanding 1961 Bonds;

NOW, THEREFORE, THE COMMISSION OF WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT; DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the acquisition, construction and installation of major additions and extensions to the District's water distribution facilities (the "Project"), all substantially according to the plans, specifications and designs prepared for the District by Mayes, Sudderth & Etheredge, Inc., Lexington, Kentucky (the "Engineers"). Immediate undertaking of such acquisition, construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The acquisition, construction and installation of the Project is undertaken by the District for public purposes and same shall constitute and be a part of the District's municipal combined water and gas distribution system (the "System," as expanded and improved by the Project), and so long as any of the 1996 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District on a combined and consolidated basis for the security and source of payment of the 1996 Bonds hereinafter authorized to be issued, and all other parity bonds outstanding and any such parity bonds which may be hereafter issued, subject, however, to the provisions of Section 3 hereinafter. The Project is to be acquired, constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 58, now in full force and effect. The System, as expanded from time to time, and including the Project, is hereby declared to be a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

SECTION 3

ACKNOWLEDGMENT OF OUTSTANDING 1961 BONDS
AND PRIOR SECURITIES THEREOF;
1996 BONDS AUTHORIZED; CERTAIN TERMS AND DETAILS

The District acknowledges that it has previously issued or incurred, and that there are outstanding at this time, the 1961 Bonds, as identified and described in the preamble hereof, and further that the 1996 Bonds herein authorized to be issued shall be subordinate and inferior as to

security and source of payment to the outstanding 1961 Bonds so long as same are outstanding and unpaid. It is acknowledged and affirmed by the District that said outstanding 1961 Bonds possess prior and superior liens and rights with respect to the System and its income and revenues, and nothing in this Resolution shall be construed as impairing, amending or in any way diminishing said security rights, liens and interests. In this connection, the provisions of the 1961 Ordinance are hereby reaffirmed. The District hereby agrees and covenants that so long as the 1996 Bonds herein authorized are outstanding, it will not issue any bonds ranking on a parity with said outstanding 1961 Bonds.

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 1996 Bonds hereinafter authorized, there are hereby authorized to be issued the District's Water and Gas System Revenue Bonds, 1996 Series A and B, in the aggregate principal amount of \$1,721,000 (the "1996 Bonds").

The 1996 Bonds shall be dated as of the date of their original delivery and shall be issuable in two Series, 1996 Series A in the principal amount of \$971,000 and 1996 Series B in the principal amount of \$750,000, in each case as a single fully registered bond without coupons as hereinafter provided in Section 5, with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter prescribed and set forth. The 1996 Bonds shall be offered at public sale as provided in Section 4 of this Resolution.

The 1996 Bonds shall mature as to principal in installments on November 1 in each of the years 1999 to 2036, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on May 1 and November 1 of each year, and such interest to be at such rate as may be established by a supplemental Resolution upon the basis of competitive sale of the 1996 Bonds as hereinafter provided. The installments of principal of each series of Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedules:

1996 Series A Maturity Schedule (\$971,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1999	\$9,000	2012	\$17,000	2025	\$32,000
2000	9,000	2013	18,000	2026	33,000
2001	10,000	2014	19,000	2027	35,000
2002	10,000	2015	19,000	2028	37,000
2003	11,000	2016	21,000	2029	39,000
2004	11,000	2017	21,000	2030	41,000
2005	12,000	2018	23,000	2031	43,000
2006	13,000	2019	24,000	2032	45,000
2007	13,000	2020	25,000	2033	48,000
2008	14,000	2021	26,000	2034	51,000
2009	15,000	2022	28,000	2035	53,000
2010	15,000	2023	29,000	2036	56,000
2011	16,000	2024	30,000		

1996 Series B Maturity Schedule (\$750,000)

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
1999	\$8,000	2012	\$14,000	2025	\$24,000
2000	8,000	2013	14,000	2026	26,000
2001	9,000	2014	15,000	2027	27,000
2002	9,000	2015	16,000	2028	28,000
2003	9,000	2016	16,000	2029	29,000
2004	10,000	2017	18,000	2030	31,000
2005	10,000	2018	18,000	2031	32,000
2006	11,000	2019	19,000	2032	33,000
2007	11,000	2020	20,000	2033	35,000
2008	12,000	2021	20,000	2034	36,000
2009	12,000	2022	22,000	2035	38,000
2010	13,000	2023	22,000	2036	38,000
2011	13,000	2024	24,000		

provided, however, that installments of principal of the 1996 Bonds shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after November 1, 2006, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 1996 Bonds; provided, that so long as USDA is the owner of any of the 1996 Bonds, the same may be prepaid in whole or in part at any time, at par plus accrued interest, and

without notice or prepayment premium. The 1996 Bonds may be prepaid only in increments of \$1,000.

Both principal of and interest on the 1996 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 1996 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 1996 Bond. The 1996 Bonds, together with the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the "Water and Gas System Revenue Bonds, 1996 Bond and Interest Sinking Fund," as hereinafter more specifically provided, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 1996 Bonds herein authorized to be issued shall rank on a basis of parity and equality as to security and source of payment with the outstanding 1988 Bonds, as previously defined, inasmuch as the District is in compliance with all covenants and undertakings in connection with its 1988 Bonds, has obtained the waiver and consent of USDA, as the holder of the 1988 Bonds, to the issuance of the parity 1996 Bonds herein authorized, and is otherwise in compliance with the parity bond terms and conditions of the 1988 Resolution.

SECTION 4

PROVISIONS RELATING TO SALE OF BOND ISSUE

The 1996 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lewis County Herald, a legal newspaper published in Vanceburg, Lewis County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; (b) the Ledger Independent, a legal newspaper published in Maysville, Mason County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for the District; and (c) The Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation.

Said Notice shall state the name and amount of 1996 Bonds to be sold, the time of the sale and other details concerning the 1996 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 1996 Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the District. Such Official Notice shall contain, inter alia, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 1996 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 1996 Bonds. The District will make available to any such qualified bidder, upon written request, any financial and other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 1996 Bonds.

(B) The single interest rate for each series of Bonds must be in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 1996 Bond issue.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 1996 Bonds, which good faith deposit may be applied as partial payment for the 1996 Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 1996 Bonds, computed from the first day of the month following the date of sale of the 1996 Bonds (even though the 1996 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1996 Bonds at the office of the District within 45 days after the date of sale thereof. If the 1996 Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 1996 Bonds, except that 1996 Bonds purchased by any agency of the Federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 1996 Bonds, together with customary closing documents, including no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Harper, Ferguson & Davis, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 1996 Bonds, without additional cost to the successful bidder.

In the event that there is no bid, or that all bids are rejected, the District may re-advertise the sale pursuant to this Resolution.

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 1996 Bonds.

SECTION 5

1996 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 1996 Bonds, the District shall issue a single fully registered 1996 Bond numbered R-[A or B]-1 (hereinafter referred to as the "Fully Registered Bond") for each series of Bonds. Each Fully Registered Bond shall be in the aggregate principal amount of the series it represents, maturing as to principal in installments as set out in Section 3 hereof. Each Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Each Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary of the Commission, and actual impression of the corporate seal), constitute a part of the 1996 Bond issue herein authorized and referred to, shall be non-negotiable, without interest coupons, registered as to principal and interest, payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary, who is hereby appointed as Bond Registrar in connection with such Bond. Each Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Secretary duly executed by the registered holder or his duly authorized attorney. Upon the transfer of each Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on such Fully Registered Bond and deliver a Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded

as the absolute owner thereof for all purposes, and payment of either principal thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of such Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

Each Fully Registered Bond shall be in substantially the following form (with appropriate insertions):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTIES OF MASON AND LEWIS
WESTERN LEWIS-RECTORVILLE WATER DISTRICT
WATER AND GAS SYSTEM REVENUE BOND, 1996 SERIES ____

No. R-__-I \$ _____

KNOW ALL MEN BY THESE PRESENTS:

That Western Lewis-Rectorville Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Mason and Lewis Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____ DOLLARS (\$ _____) on the first day of November in years and installments as follows:

<u>Year</u>	<u>Principal</u>		<u>Year</u>	<u>Principal</u>		<u>Year</u>	<u>Principal</u>
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(Here make appropriate insertions for Series A Bonds
and Series B Bonds, respectively)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ percent (____%) per annum, semiannually on the first days of May and November in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment

may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, at the office or address as may be designated by said registered holder from time to time.

This Bond is the Bond in fully registered form representing a total authorized series of Bonds designated Series ____ in the principal amount of \$ _____ issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapters 58 and 74 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the acquisition, construction and installation of major extensions and additions to the District's water and gas distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the series which it represents, together with the separate series of parity bonds, hereinafter referred to, issued simultaneously herewith and such additional bonds ranking on a parity therewith that have previously been issued and are outstanding and that may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, subject, however, to the priorities hereinafter recited, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue of which it forms a part, and such outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund"; provided however, the District has outstanding certain of its Water and Gas Revenue Bonds dated November 1, 1961 (the "1961 Bonds"), which are secured by a pledge of and lien on the income and revenues of the System which are prior and superior to the security rights created for this Bond and the series which it represents; and so long as any of the 1961 Bonds are outstanding and unpaid, the District will comply in all respects with the requirements of the ordinance authorizing the 1961 Bonds, and it is acknowledged that this Bond and the issue which it represents are subject to the prior pledges, liens and rights securing the 1961 Bonds so long as any of the same remain outstanding and unpaid. The Bonds of this series rank on a basis of parity and equality with certain previously issued and outstanding 1988 Series A and B Bonds. The Bonds of this series rank on a basis of parity and equality with certain identically styled bonds designated 1996 Series ____ and issued simultaneously with the Bonds of this series pursuant to said Bond-authorizing Resolution.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient, after providing for the requirements

of the ordinance authorizing the 1961 Bonds, to pay promptly the interest on and principal of this series of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the Secretary of the District, as the Bond Registrar, with a written transfer duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after November 1, 2006, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof in multiples of One Thousand Dollars (\$1,000) as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered holder of this Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time, in whole or in part, at par or face value and without notice or prepayment premium.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the District to comply with any other provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from ad valorem taxation in the Commonwealth of Kentucky.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, being the total authorized amount of Bonds of the issue which this Bond represents, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the Western Lewis-Rectorville Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the

Chairman of its Commission, attested by the Secretary, and its corporate seal to be hereunto affixed, on the date of this Bond, which is _____.

WESTERN LEWIS-RECTORVILLE
WATER DISTRICT

By _____
Chairman of the Commission

ATTEST:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of the Western Lewis-Rectorville Water District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to the Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

Date of Registration	Name of Registered Holder	Signature of the Water District's Bond Registrar
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 1996 Bonds)

SECTION 6

DISPOSITION OF 1996 BOND PROCEEDS; CONSTRUCTION FUND

The Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in the bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 1996 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 1996 Bonds shall be applied as follows:

Upon the issuance and delivery of the 1996 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Western Lewis-Rectorville Water District 1996 Construction Fund" (the "Construction Fund") created by separate interim financing Resolution of the Commission of the District adopted concurrently herewith. Said 1996 Bond proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 1996 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 1996 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund. There shall also be deposited in the Construction Fund, as received, the proceeds of all grants in aid of construction of the Project (as specified in the conditions of the USDA loan to the District), unless said sums, or any portions thereof, have already been expended for authorized Project purposes.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 1996 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 1996 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and Secretary and, if USDA is the purchaser of the Bonds, by USDA. Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 1996 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Sinking Fund and shall be used at the earliest practicable date for the retirement of 1996 Bonds by purchase thereof (or principal prepayment) in inverse numerical and maturity order.

In the event that the amount hereinabove provided to be set aside from 1996 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 1996 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 1996 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

All proceedings preliminary to and in connection with the issuance of the 1961 Bonds, particularly the 1961 Ordinance, whereby provision was made for the operation of the System on a revenue-producing basis, for the segregation, allocation and custody of revenues derived from the operation of the System, and for the enforcement and payment of the 1961 Bonds, are hereby

ratified and confirmed and shall continue in full force and effect, the same as if such provisions and proceedings were herein set out in full, and nothing herein shall be construed as altering, revising or amending said contractual relationships; and so long as the 1961 Bonds remain outstanding and unpaid, the District shall maintain all funds required to be maintained and created by the terms of the 1961 Ordinance.

Consistent with the foregoing, it is hereby resolved and provided that from and after issuance and delivery of the 1996 Bonds herein authorized, and so long as any of the 1996 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis, and on that basis the cash income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

(A) A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1961 Ordinance identified as the "Western Lewis-Rectorville Water District Revenue Fund" (the "Revenue Fund"), which shall be maintained in the Depository Bank; and the District covenants and agrees that it will deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall be allocated to the respective accounts as set out in the 1961 Ordinance and shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the 1961 Ordinance. After making from the Revenue Fund the separate account allocations and all disbursements and payments required to be made in fulfillment of the contractual commitments made in connection with the 1961 Bonds (as provided in the 1961 Ordinance), the moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District, as permitted by applicable statutes, as follows:

(B) A separate and special fund or account of the District was created to be deposited and maintained in the Depository Bank, distinct and apart from all other funds and accounts, designated and identified as the "Water and Gas System Revenue Bonds, 1988 Bond and Interest Sinking Fund" (the "Sinking Fund"), which shall continue to be maintained so long as any of the 1996 Bonds herein authorized or parity bonds are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the 1988 and 1996 Bonds and any parity bonds which may be issued and outstanding from time to time pursuant to the provisions of this Resolution.

Following delivery of and payment for the 1996 Bonds herein authorized, there shall be transferred on or before the 20th day of each month from the Revenue Fund (having due regard to the priorities in connection with the outstanding 1961 Bonds) to the Sinking Fund, in addition to the principal and interest requirements of the 1988 Bonds according to the 1988 Resolution, not less than the following amounts:

- (i) beginning with and including the month in which interest shall last be payable from all 1996 Bond proceeds, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all 1996 Bonds then outstanding; and

- (ii) beginning on November 20, 1998, a sum equal to one-twelfth (1/12) of the principal of all 1996 Bonds maturing on the next succeeding November 1.

In the event additional parity bonds are issued pursuant to the conditions and restrictions hereinafter prescribed in that connection, the monthly deposits to the Sinking Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

Moneys from time to time in the Sinking Fund may be held in cash, in which event the same shall be secured (to the extent not insured by FDIC) by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing no later than five (5) years from the date the investment is made, or the final maturity date of 1996 Bonds or parity bonds issued pursuant to this Resolution, whichever date is the earlier. Income from any such investments shall be accumulated in the Sinking Fund, and may be invested in the same manner.

* * * * *

The District has previously, by the 1961 Ordinance, created special funds for purposes of the 1961 Bonds and the System, identified as the "Water and Gas Bond and Interest Sinking Fund" (including the debt service reserve therein), the "Depreciation Fund" and the "Operation and Maintenance Fund." All provisions relating to said identified special funds are hereby ratified, readopted and affirmed; said Funds shall continue to be maintained according to the resolutions establishing same; and so long as the 1996 Bonds herein authorized are outstanding, the Revenue Fund and the aforesaid Depreciation Fund and Operation and Maintenance Fund created by the 1961 Ordinance shall continue in effect, with the District making such monthly transfers to said Depreciation and Operation and Maintenance Funds from the Revenue Fund as are required by the terms of the 1961 Ordinance; provided that the minimum sum to be accumulated in the Depreciation Fund with respect to the 1996 Bonds (in addition to amounts required to be accumulated for the 1961 and 1988 Bonds) shall be \$95,400, with monthly payments into said Depreciation Fund from the Revenue Fund with respect to the 1996 Bonds (in addition to such payments required for the 1961 and 1988 Bonds) to be at least \$795.

SECTION 8

COVENANTS TO BONDHOLDERS

In addition to and not in derogation of the covenants contained in the 1961 Ordinance in favor of the holders of the 1961 Bonds, the District hereby irrevocably covenants and agrees with the holder or holders of any and all 1996 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate the System on a revenue-producing basis, and will permit no free services to be rendered or afforded thereby.

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 1996 Bonds are outstanding, it will not (subject to the pre-existing rights of the holders of the 1961 Bonds) sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and in the 1961 Ordinance, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the 1996 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its 1996 Bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 1961 Bonds and then 1988 and 1996 Bonds in accordance with the provisions governing prepayment of said Bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinbefore provided;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 1996 Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of reserves as herein provided; and such rates and charges shall be adequate to meet all such

requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the 1996 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 1996 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into all sinking funds established for the 1961 Bonds. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the said sinking funds during such ensuing fiscal year, and to build up and maintain the reserves specified and referred to in Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, moneys, and funds of the District, and will promptly and regularly make application and distribution thereof into the special funds provided in this Resolution, in the amount and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any Bondholder, and any agent or representative of a Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 1996 Bonds issued hereunder. If requested to do so, the District will furnish to any Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 1996 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 1996 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by said District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 1996 Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District (but not in derogation of any of the prior rights and security interests created in connection with the 1961 Bonds), with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of said statute laws of Kentucky aforesaid.

(L) The District will cause each municipal officer or other person (other than depository banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable

value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Depreciation Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain Public Liability Insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable Workmen's Compensation Insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain Vehicular Public Liability Insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 1996 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 1996 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 1996 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created, provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System,

ranking on a basis of equality and parity as to security and source of payment with the 1996 Bonds herein authorized, for the following purposes and subject to the following conditions and restrictions:

(A) The District covenants and agrees that in the event the cost of constructing the Project, together with incidental expenses, shall exceed the cost upon which the dollar amount of 1996 Bonds herein authorized has been computed, it shall pay the amount of such excess out of funds available to it for such purpose. The District may provide such excess (but only such excess) through the issuance of parity bonds, provided that it has obtained (i) the consent of USDA, and (ii) if any 1996 Bonds are owned by persons other than USDA, the consent of the holders of two-thirds in principal amount of the outstanding 1996 Bonds so held.

(B) The District shall have the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 1996 Bonds, provided in each instance that:

- (i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding 1996 Bonds and parity bonds, if any;
- (ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof;
- (iii) the net revenues (defined as gross revenues less essential operation and maintenance expenses) of the System for the fiscal year preceding the year of issuance of additional parity bonds are certified by an independent certified public accountant to have been equal to at least one and twenty hundredths (1.20) times the average annual requirements for principal and interest on all 1996 Bonds and parity bonds, if any, then outstanding; and
- (iv) the estimated average annual net revenues of the facility or facilities to be constructed or acquired with the proceeds of such additional bonds (and any other funds pledged as security), when added to the estimated future average annual net revenues of the then existing System, shall be at least one and twenty hundredths (1.20) times the average annual debt service requirements for principal and interest on all outstanding 1996 Bonds and on the additional bonds then to be issued. Future net revenue estimates shall be furnished by a recognized independent consulting engineer or firm of such engineers and shall be forecast over a period not exceeding five (5) years from the date of the additional bonds proposed to be issued. Provided, however, the foregoing conditions and limitations prescribed in subparagraph (iii) immediately above and this

subparagraph (iv) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding 1996 Bonds and parity bonds, if any.

(C) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

- (i) adjust the monthly deposits into the Sinking Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;
- (ii) adjust and increase appropriately the monthly amount to be deposited into the Depreciation Fund in accord with controlling resolutions to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and
- (iii) make such additional bonds payable as to principal on November 1 of each year in which principal falls due and payable as to interest on May 1 and November 1 of each year.

(D) The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the revenues of the System on a basis of equality and parity with the 1996 Bonds herein specifically authorized, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 1996 Bonds and parity bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 1996 Bonds and parity bonds herein otherwise referred to, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 1996 Bonds and parity bonds herein authorized and permitted to be issued. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized 1996 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 1996 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 1996 Bonds, no change, variation, or alteration of any kind of the provisions of this Resolution shall be made in any manner except as herein provided until such time as all of the 1996 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

TAX COVENANTS

The District covenants and agrees that the Project will be constructed expeditiously and the expenditure of the proceeds of the 1996 Bonds deposited in the Construction Fund for the payment of costs of the Project will be made promptly in order that the Project may be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 1996 Bonds that so long as any of the 1996 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 1996 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 1996 Bonds or from any other sources, will not be invested or used in a manner which will cause the 1996 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, including Sections 1.103-13 and 1.103-14 of the Income Tax Regulations (26 CFR Part 1), as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary, as the officers of the District charged with the responsibility for issuing the Bonds, are authorized and directed, for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code, (i) less than 10% of the proceeds of the 1996 Bonds, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the 1996 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived from payments in respect of such property; (ii) at least 90% of the proceeds of the 1996 Bonds will be applied for a public and governmental use of the District; (iii) any private business use of the Project will be related to such public and governmental use of the

District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 1996 Bonds will be used, directly or indirectly, to make or finance loans to private persons.

(B) Within the meaning of Section 148(f)(4)(B) of the Code, it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 1996 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 1996 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 1996 Bonds, the District will take all action necessary to comply therewith.

(C) The 1996 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(D) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(E) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 12

SEVERABILITY CLAUSE

If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

SECTION 13

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

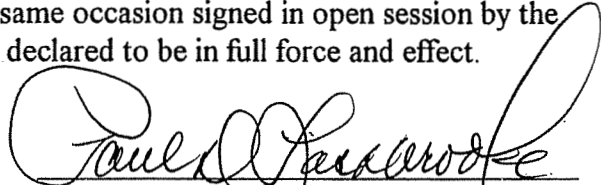
SECTION 14

WHEN RESOLUTION EFFECTIVE


This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE WESTERN LEWIS-RECTORVILLE WATER DISTRICT, LEWIS AND MASON COUNTIES, KENTUCKY, at a meeting held on the 17th day of May, 1996, on the same occasion signed in open session by the Chairman, attested under seal by the Secretary, and declared to be in full force and effect.

(SEAL)


Chairman of the Commission

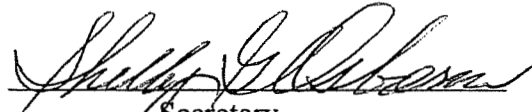
ATTEST:


Secretary

CERTIFICATION

The undersigned, Secretary of the Commission of Western Lewis-Rectorville Water District, Lewis and Mason Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested under seal by me as Secretary upon the occasion of a properly convened meeting of the Commission of said District held on the 17th day of May, 1996, as shown by the official records in my custody and under my control.

WITNESS my hand this 17th day of May, 1996.


Secretary

WESTERN LEWIS-RECTORVILLE GAS & WATER DISTRICT
BOND RETIREMENT SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

	FmHA BOND (5%) 1988 (SERIES A)		FmHA BOND (5%) 1988 (SERIES B)		RD BOND (4.5%) 1996 (SERIES A)		RD BOND (4.5%) 1996 (SERIES B)		RD BOND (4.5%) 2001		TOTAL REQUIREMENTS FOR YEAR		BONDS OUTSTANDING END OF YEAR
	BONDS	INTEREST	BONDS	INTEREST	BONDS	INTEREST	BONDS	INTEREST	BONDS	INTEREST	BONDS	INTEREST	
2008	3,000	5,600	3,000	4,825	14,000	39,285	12,000	29,925	4,000	14,310	36,000	93,945	2,028,500
2009	3,000	5,450	3,000	4,675	15,000	38,655	12,000	29,385	4,500	14,130	37,500	92,295	1,991,000
2010	4,000	5,300	3,000	4,525	15,000	37,980	13,000	28,845	4,500	13,928	39,500	90,578	1,951,500
2011	4,000	5,000	3,500	4,375	16,000	37,305	13,000	28,260	4,500	13,725	41,000	88,665	1,910,500
2012	4,000	4,900	3,500	4,200	17,000	36,585	14,000	27,675	5,000	13,523	43,500	86,883	1,867,000
2013	4,000	4,700	3,500	4,025	18,000	35,820	14,000	27,045	5,000	13,298	44,500	84,888	1,822,500
2014	4,000	4,500	4,000	3,850	19,000	35,010	15,000	26,415	5,500	13,073	47,500	82,848	1,775,500
2015	5,000	4,300	4,000	3,650	19,000	34,155	16,000	25,740	5,500	12,825	49,500	80,670	1,725,500
2016	5,000	4,050	4,500	3,450	21,000	33,300	16,000	25,020	6,000	12,578	52,500	78,398	1,673,000
2017	5,000	3,800	4,500	3,225	21,000	32,355	18,000	24,300	6,000	12,308	54,500	75,988	1,618,500
2018	6,000	3,550	5,000	3,000	23,000	31,410	18,000	23,490	6,500	12,038	58,500	73,488	1,560,000
2019	6,000	3,250	5,000	2,750	24,000	30,375	19,000	22,680	6,500	11,745	60,500	70,800	1,499,500
2020	6,000	2,950	5,000	2,500	25,000	29,295	20,000	21,825	7,000	11,453	63,000	68,023	1,436,500
2021	6,000	2,650	5,500	2,250	26,000	28,170	20,000	20,925	7,500	11,138	65,000	65,133	1,371,500
2022	7,000	2,350	6,000	1,975	28,000	27,000	22,000	20,025	7,500	10,800	70,500	62,150	1,301,000
2023	7,000	2,000	6,000	1,675	29,000	25,740	22,000	19,035	8,000	10,463	72,000	58,913	1,229,000
2024	8,000	1,650	6,500	1,375	30,000	24,435	24,000	18,045	8,500	10,103	77,000	55,608	1,152,000
2025	8,000	1,250	6,500	1,050	32,000	23,085	24,000	16,965	8,500	9,720	79,000	52,070	1,073,000
2026	8,000	850	7,000	725	33,000	21,645	26,000	15,885	9,000	9,338	83,000	48,443	990,000
2027	9,000	450	7,500	375	35,000	20,160	27,000	14,715	9,500	8,933	88,000	44,633	902,000
2028					37,000	37,845	28,000	13,500	10,000	8,505	75,000	59,850	827,000
2029					39,000	16,920	29,000	12,240	10,500	8,055	78,500	37,215	748,500
2030					41,000	15,165	31,000	10,935	11,000	7,583	83,000	33,683	665,500
2031					43,000	13,320	32,000	9,540	11,500	7,088	86,500	29,948	579,000
2032					45,000	11,385	33,000	8,100	12,000	6,570	90,000	26,055	489,000
2033					48,000	9,360	35,000	6,615	12,500	6,030	95,500	22,005	393,500
2034					51,000	7,200	36,000	5,040	13,000	5,468	100,000	17,708	293,500
2035					53,000	4,905	38,000	3,420	13,500	4,883	104,500	13,208	189,000
2036					56,000	2,520	38,000	1,710	14,000	4,275	108,000	8,505	81,000
2037									15,000	3,645	15,000	3,645	66,000
2038									15,500	2,970	15,500	2,970	50,500
2039									16,000	2,273	16,000	2,273	34,500
2040									17,000	1,553	17,000	1,553	17,500
2041									17,500	788	17,500	788	-
TOTAL	\$112,000	\$68,550	\$ 96,500	\$ 58,475	\$ 873,000	\$ 740,385	\$ 665,000	\$ 537,300	\$ 318,000	\$ 309,115	\$ 2,064,500	\$ 1,713,825	

ORIGINAL PRINCIPAL PAYMENT DATES
 \$150,000 NOV 1 MAY 1, NOV 1
 \$130,000 NOV 1 MAY 1, NOV 1
 \$750,000 NOV 1 MAY 1, NOV 1
 \$333,000 NOV 1 MAY 1, NOV 1

WESTERN LEWIS-RECTORVILLE WATER & GAS DISTRICT

The Usage of Funds From Bonds Includes:

<u>Bond Series</u>	<u>Description of Usage</u>
1988 Bond Series A & B	Installation of Major Improvements and Additions to the District's Existing Water and Gas Distribution System including: Construction of Standpipes, Transmission and Distribution Mains, and Pumping Equipment
1996 Bond Series A & B	Installation of Major Improvements and Additions to the District's Existing Water and Gas Distribution System including: Construction of Transmission and Distribution Mains, and Pumping Equipment
2001 Bond Series	Installation of Major Improvements and Additions to the District's Existing Water and Gas Distribution System including: Construction of Transmission and Distribution Mains

